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Message Text

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11
ORIGIN NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 OMB-01 /048 R

DRAFTED BY NEA/INS:DKUX:EI
APPROVED BY NEA/INS:DKUX
EX-IM BANK-MR. HOUSTON
OPIC - MR. BOSTWICK
---------- 017365
R 012059Z JUL 75
FM SECSTATE WASHDC
TO AMEMBASSY NEW DELHI

C O N F I D E N T I A L STATE 155337

E.O. 11652: GDS

TAGS: EINV, IN

SUBJECT: KAISER INTEREST IN USGLOANS

1. KAISER ENGINEERING VP FOR FINANCE ROWLANDS MADE ANTICI-
PATED PITCH FOR USG LOANS TO FINANCE COST - BOTH RUPEE AND
DOLLAR - OF SALE AND INSTALLATION OF 120MW CAPTIVE POWER
PLANT TO ASSURE ADEQUATE POWER FOR HINDALCO PLANT. TALKING
TO KUX (NEA/INS) ROWLANDS SAID HINDALCO PROJECT WOULD COST
A TOTAL OF $75 MILLION FOR WHICH THEY HOPED FOR COOLEY LOAN
OF $40 MILLION EQUIVALENT IN RUPEES AND SUBSTANTIAL DOLLAR
LOAN FROM EX-IM.

2. ROWLANDS CLAIMED THAT GOI FIXED ALUMINUM PRICE FOR
INGOTS IS LESS OF PROBLEM THAN PREVIOUSLY STATED BECAUSE
(A) WORLD PRICE OF ALUMINUM HAS DROPPED AND GAP IS NARROWED,
(B) THERE ARE PROSPECTS GOI WILL PERMIT PRICE INCREASE; AND
(C) HINDALCO HAS BEEN ABLE TO ENDRUN FIXED PRICE BY IN-
CREASING SALES OF MANUFACTURED ITEMS ON WHICH THERE IS NO
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CEILING. ROWLANDS ASSERTED THAT WHILE RATE INCREASE WOULD
BE HELPFUL, IT WAS NOT ESSENTIAL FOR VIABILITY OF PROJECT.
ROWLANDS ASKED THAT ABOVE BE CLOSELY HELD.
3. ROWLANDS SAID THAT COMPANY WAS INTERESTED IN COOLEY

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RUPEE LOAN BECAUSE OPIC PREPARED TO OFFER TERMS THAT WERE MORE FAVORABLE THAN THOSE CURRENTLY AVAILABLE IN INDIAN

CAPITAL MARKET. IF HINDALCO HAD TO BORROW FROM MARKET, ROWLANDS SAID PROPOSITION WOULD NOT BE FINANCIALLY ATTRACTIVE BECAUSE OF HIGH INTEREST RATES.

4. KUX EXPLAINED THAT WHILE THERE WAS NO FORMAL BAR TO COOLEY LOAN ON USG SIDE, INDIANS FOR NUMBER OF YEARS HAD NOT APPROVED THESE. KUX STRESSED THAT HINDALCO WOULD HAVE TO GET BLESSING OF GOI ON LOAN BEFORE WE COULD FORMALLY CONSIDER PROPOSAL. ROWLANDS SAID HE WAS AWARE OF THIS BUT WANTED TO LAY OUT PROJECT TO STATE, EX-IM AND OPIC OFFICIALS. (HE PREVIOUSLY HAD TOUCHED BASE WITH HOUSTON OF EX-IM AND BOSTWICK OF OPIC.)

5. COMMENT: SINCE EX-IM LOAN IS ESSENTIAL COMPONENT OF PACKAGE, WE ARE LESS CONCERNED ABOUT NEED FOR SEPARATE ECONOMIC FEASIBILITY STUDY TO COVER RUPEE FINANCING. THIS WILL HAVE TO ACCOMPANY ANY FORMAL APPLICATION FOR EX-IM LOAN. BALL REMAINS IN KAISER'S OR BIRLA'S COURT AND NO ACTION ON OUR PART APPEARS NECESSARY AT THIS TIME.

6. FYI: OPIC ADVISES THAT SECTION 234C LOANS (SORT THAT WOULD BE APPLICABLE FOR HINDALCO) WOULD BE FOR FOR ROUGHLY 12-15 YEARS. INGERSOLL

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<< END OF DOCUMENT >>

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUSINESS FIRMS, DEVELOPMENT LOANS, ELECTRIC POWER PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE155337
Document Source: ADS
Document Unique ID: 00
Drafter: NEA/INS:DKUX:EI
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: D750228-0803
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197507104/baaaaodh.tel
Line Count: 83
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 05 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 AUG 2003 by ElyME>; APPROVED <26 NOV 2003 by KelleyW0>
Review Markings:

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06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 971010
Subject: n/a
TAGS: EINV, IN, KAISER
To: NEW DELHI
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006